

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (02/17):
BUTTER: Grade AA closed at \$1.1700. The weekly average for Grade AA is \$1.1770 (-.0375).

CHEESE: Barrels closed at \$1.1450 and blocks at \$1.1650. The weekly average for barrels is \$1.1800 (-.0300) and blocks, \$1.2025 (-.0360).

BUTTER: The butter market remains weak. The CME cash butter price is the lowest it has been since early October 2003. Churning activity across the country continues strong. Cream supplies vary from in better balance to plentiful. Butter inventories are building as demand slows. CME weekly butter stocks grew by 11.35 million pounds last week to stand at 77.7 million pounds. In the last two weeks, stocks have grown 21.8 million pounds, the largest two week increase on record. Last year for this week, stocks were 48.2 million pounds and they were 94.4 million pounds in 2004. Some butter producers are shifting gears and, when possible, packaging bulk for inventory versus prints for immediate needs. Many producers and handlers state that the weak price trend has generally halted buyer interest. With the cash price basically declining on a daily basis, buyers are holding off placing orders until they absolutely have to and volumes at that time are often minimal.

CHEESE: The cheese market is weak. Interest is generally best for convenience products such as shreds and slices. Most demand centers on fill-in orders as buyers try to maintain just minimal working volumes. Process interest is slow to occasionally fair. Current prices are conducive to rebuilding aging programs. Most buyers expect current cheese offerings to be adequate through spring. Cheese production remains seasonally heavy as surplus milk volumes in some areas already approach levels similar to spring flush.

FLUID MILK: Milk production trends across the country are holding steady to increasing seasonally. In the Northeast, milk production is steady to slightly higher with output increasing steadily in the Southeast. Milk supplies in the Central part of the country remain heavy though in slightly better balance with need than they have been in recent weeks. In Arizona, milk production is strong with increases noted in the 4 – 5% range. In California, milk output is very strong. Some reports of 6 – 7% increases from a year ago are noted. More concern is being expressed about how all the milk is going to be handled this spring. Output in the Pacific Northwest is quite variable with reports both higher and lower. Milk production in Utah and Idaho is increasing seasonally at a slow rate. A large snow storm struck much of the East Coast last weekend. The storm disrupted transportation and some farm pick-up schedules, closed some schools on Monday, and caused power outages in many areas. Bottlers were very active last week trying to keep up with the panic buying of milk and other staples at grocery stores in the storm's path. Much of these same conditions occurred in the Midwestern part of the country later in the week when a large winter storm with sleet/freezing rain and snow covered many areas. Cream supplies remain readily available in most areas of the country, although some handlers report that surplus volumes are somewhat less available.

The churn is still where most of the cream is ending up. Ice cream production is about steady, but more producers are starting to take advantage of the lower prices for butterfat and building some inventories.

DRY PRODUCTS: The market trend for most manufactured dry dairy products is steady to weak with prices unchanged to lower. The nonfat dry milk market is weak with prices holding steady to lower as some producers try to stimulate buyer interest. Production continues strong in response to heavy milk volumes and inventories are building in most areas of the country. Buying interest is very slow. Dry buttermilk powder markets are weak. Prices are generally lower across the country. Powder production is fairly strong keeping pace with active churning schedules. Stocks of buttermilk powder are building to the point that some plants are examining the possibility of exporting multiple loads at significant discounts to alleviate stocks that are becoming burdensome. Whey powder markets are generally steady, although the market appears to be losing some momentum. Prices are mixed, moving higher and lower. Some producers are becoming nervous at current price levels. As a result, some trades are noted at a discount to the average, no premiums or energy surcharges included. Stocks range from light at producers' plants to accumulating in traders' inventories.

CCC: During the week of February 13 - 17, there was no dairy price support activity.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for March 2006 is \$12.49, down 89 cents from February. This price is derived from the advanced Class III skim milk pricing factor of \$7.95 and the advanced butterfat pricing factor of \$1.3768 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for March is \$7.52 and the Class II nonfat solids price is \$0.8356 per pound. The following are the two-week product price averages: butter \$1.2623, nonfat dry milk \$0.9053, cheese \$1.2923, and dry whey \$0.3532.

MILK SUPPLY AND DEMAND ESTIMATES (WORLD AGRICULTURAL OUTLOOK BOARD): Forecast milk supply in 2006 is raised slightly as the January 1 *Cattle* report confirmed increased availability of replacement heifers and more cows are expected to enter the herd. Most product prices are forecast lower than last month as current prices are below expectations. Increased supplies of dairy products will likely result in lower prices. Lower forecast cheese prices will result in a reduced Class III price. Both butter and nonfat dry milk prices are forecast lower than last month, and the Class IV price forecast is lowered to reflect this. The all milk price for 2006 forecast is lowered to \$13.10-\$13.80. Annual 2006 milk production projections are set at 181.4 billion pounds, 2.8% higher than the 2005 estimate of 176.5 billion pounds, and 6.2% higher than 2004 volume of 170.8 billion pounds. On a butterfat basis, commercial use projections for 2006, including exports, are 185.3 billion pounds, 3.2% ahead of last year estimates and 5.2% more than 2004 volumes.

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**CHICAGO MERCANTILE EXCHANGE
 CASH TRADING**

PRODUCT	MONDAY FEBRUARY 13	TUESDAY FEBRUARY 14	WEDNESDAY FEBRUARY 15	THURSDAY FEBRUARY 16	FRIDAY FEBRUARY 17	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.1950 (-.0075)	\$1.1875 (-.0075)	\$1.1875 (N.C.)	\$1.1850 (-.0025)	\$1.1450 (-.0400)	(-.0575)	\$1.1800 (-.0300)
40# BLOCKS	\$1.2250 (-.0075)	\$1.2100 (-.0150)	\$1.2100 (N.C.)	\$1.2025 (-.0075)	\$1.1650 (-.0375)	(-.0675)	\$1.2025 (-.0360)
BUTTER GRADE AA	\$1.1950 (-.0050)	\$1.1800 (-.0150)	\$1.1700 (-.0100)	\$1.1700 (N.C.)	\$1.1700 (N.C.)	(-.0300)	\$1.1770 (-.0375)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM **NOTE: CME NDM on Page 2. The CME will be closed Monday, Feb. 20 for Presidents' Day.**

CHICAGO MERCANTILE EXCHANGE

MONDAY, FEBRUARY 13, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1950; 1 CAR 40# BLOCKS @ \$1.2250
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 3 CARS GRADE AA: 1 @ \$1.1975, 2 @ \$1.2000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.1950

TUESDAY, FEBRUARY 14, 2006

CHEESE — SALES: 3 CARS 40# BLOCKS: 2 @ \$1.2175, 1 @ \$1.2100; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1875; 1 CAR 40# BLOCKS @ \$1.2100
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: NONE; BIDS UNFILLED: 2 CARS GRADE AA @ \$1.1700; OFFERS UNCOVERED: 6 CARS GRADE AA: 1 @ \$1.1800, 2 @ \$1.1875, 2 @ \$1.1900, 1 @ \$1.1950

WEDNESDAY, FEBRUARY 15, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 5 CARS GRADE AA: 1 @ \$1.1700, 2 @ \$1.1800, 2 @ \$1.1900

THURSDAY, FEBRUARY 16, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1850; 1 CAR 40# BLOCKS @ \$1.2025
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 2 CARS GRADE AA @ \$1.1700; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS GRADE AA: 1 @ \$1.1700, 2 @ \$1.1850

FRIDAY, FEBRUARY 17, 2006

CHEESE — SALES: 2 CARS 40# BLOCKS: 1 @ \$1.1700, 1 @ \$1.1650; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1450; 2 CARS 40# BLOCKS: 1 @ \$1.1650, 1 @ \$1.2025
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 2 CARS GRADE AA: 1 @ \$1.1700, 1 @ \$1.1675; BIDS UNFILLED: 4 CARS GRADE AA: 2 @ \$1.1700, 2 @ \$1.1400; OFFERS UNCOVERED: 2 CARS GRADE AA: 1 @ \$1.1850, 1 @ \$1.1900

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.8900 and Grade A at \$0.8875. (The last price change for Extra Grade was January 24 and Grade A occurred February 1.) The weekly average for Extra Grade is \$0.8900 (N.C.) and Grade A is \$0.8875 (N.C.).

BUTTER MARKETS

NORTHEAST

The butter market remains weak. The price at the CME continues to decline. Stocks of both old crop (produced prior to December 1, 2005) and new crop (produced after that date) are ample for the generally slow buying interest. The date of production is an issue for the March, physical delivery, futures and sales at the CME. Churning activity remains quite heavy. The plant that experienced mechanical problems with their churn last week is back on line, but improved demand for cream has eased the pressure on most churns in the East. Bulk and packaged butter stocks continue to grow and demand is seldom better than fair. Retail sales remain slow and food service orders are steady, at best. Sales of bulk butter f.o.b. East, are reported in a range from flat market to 3.0 cents over the CME price/average.

CENTRAL

The CME cash butter market continues to decline. The cash price has steadily declined since January 23 with a minimal uptick last Friday of 1/4 cent and subsequent declines to the present level of \$1.1700 at midweek. This is the lowest cash price since early October 2003. Producers and handlers state that the weak trend has generally halted buyer interest. With the cash price basically declining on a daily basis, buyers are holding off placing orders until they absolutely have to and volumes at that time are minimal. Butter producers state that cream supplies remain readily available to them at delivered prices ranging 108 – 120 times various pricing basis. More producers are stating that current production is surpassing demand, thus inventories are increasing at a faster pace. Some butter producers are shifting gears and, when possible, packaging bulk for inventory versus prints for immediate needs. A Central butter plant that was damaged by

an explosion/fire a year ago is back up and running. New equipment logistics and slow butter demand are allowing this operation to come on line gradually. Bulk butter for spot sale is being reported in the flat – 2 cents per pound over various pricing basis.

WEST

Butter prices have held steady or declined on the cash CME market since January 23, moving down 17 cents in the process to stand at \$1.17. Retail sales activity seems to be on the slow side with the institutional trade in a little better shape. Butter supplies are plentiful and buyers don't see much reason to stock up at this point. Some contacts are discussing the "old crop" butter issue that will impact the market until March 1. Most feel that it is a negative influence on the market, but they are not sure how much real influence it has. Cream offerings may not be quite as heavy as they have been recently. Time will tell if this is really the case or if there is some reason for a short downturn in offerings. Class 2 operations are not aggressively looking for many additional supplies of cream. Quota imports of butter in January total 698,200 pounds, less than half the amount imported last January. Imports stand at 4.5% of the annual quota of 15.4 million pounds. Imports of High-Tier butter (above quota and with a penalty) total 263,500 pounds, more than double the amount imported in January 2006. CME weekly butter stocks grew by 11.35 million pounds last week to stand at 77.7 million pounds. In the last two weeks, stocks have grown 21.8 million pounds, the largest two week increase on record. Last year for this week, stocks were 48.2 million pounds and they were 94.4 million pounds in 2004. Prices for bulk butter range from 2 cents under to 5 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
FEBRUARY 11	1.2763	1.2378	0.8865	1.2443	0.3515
	7,697,347	10,672,382	21,293,716	3,756,320	9,320,501

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are unchanged and the market tone remains weak. The cash cheese prices at the CME, after nearly two weeks of unchanged prices, have (through 2/13) declined the last two trading sessions. Production levels in the Northeast are moderate to heavy. According to some contacts, surplus milk volumes are approaching spring flush levels. The declining cheese prices and high milk prices are a concern for most producers. However, early estimates predict a significant decline in February's Class III milk price, which may help their bottom lines. Retail sales are slow to fair and food service orders are steady.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.3200-1.8400
Cheddar Single Daisies	:	1.2775-1.7625
Cheddar 40# Block	:	1.3800-1.6500
Process 5# Loaf	:	1.4200-1.6600
Process 5# Sliced	:	1.4400-1.6675
Muenster	:	1.3925-1.5925
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is weak. Debate continues whether or not cash prices at the Chicago Mercantile Exchange will decline to the dairy price support prices of \$1.1314 per pound for blocks and 3 cents less for barrels. Fair spot interest continues, but usually is best for convenience products such as shreds and natural slices. Current offerings remain more than adequate. Aging programs continue to be rebuilt at current price levels. Mozzarella interest is spotty though aided by discounting. Process movement remains sluggish for most producers. Cheese production remains very heavy with yields trending seasonally lower. Some plants are backing away from adding additional milk producers at this time due to concerns with having enough plant capacity at spring flush. Other plant operators would just like to sell some milk to help balance demand with production.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.4700-1.7900
Brick And/Or Muenster 5#	:	1.7825-1.8200
Cheddar 40# Block	:	1.5850-2.2650
Monterey Jack 10#	:	1.8200-2.2650
Blue 5#	:	2.0875-2.5000
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.4125-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.4300-2.8900

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER		CHEESE	
	:		:
02/13/06	25,739	:	131,361
02/01/06	23,237	:	128,637
CHANGE	2,502	:	2,724
% CHANGE	11	:	2

WEST

Block cheese prices at the cash CME market have held steady or declined since December 19, moving down 25 cents in the process to stand at \$1.21 at midweek. (There was one, 1/4 cent increase noted in that time frame on January 31.) There does not seem to be much support in the market at this time with trading very light and most of the price changes taking place on the basis of uncovered offers. Most buyers seem to be content in working with their present inventory levels and replenishing them as needed. This does mean that their working stocks are on the very low side of what is comfortable. With the current milk supply situation, they do not seem to be worried about any shortages of cheese in the near future. Some Western buyers are looking for some additional volumes of current cheese and are not always successful. Under grade cheese is clearing from the market, but the rate has slowed down. Offerings remain heavy. Quota imports of cheese in January total 21.8 million pounds, down somewhat from last year. Imports stand at 7.3% of the annual quota of almost 300 million pounds. Imports of High-Tier cheese in January (above quota and with a penalty) total 2.12 million pounds, about 11% more than January 2005.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.3625-1.6200
Cheddar 40# Block	:	1.3575-1.6575
Cheddar 10# Cuts	:	1.5375-1.7575
Monterey Jack 10#	:	1.5475-1.7075
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

FOREIGN

Prices and the market tone are unchanged. Stocks of domestic and imported cheese are more than adequate to cover the generally fair demand. This weekend's snow storm did disrupt delivery schedules for many distributors and most are working longer hours to receive and deliver products. Recent reports show that imports of cheese subject to licensing during January 2006 totaled 9.9 million Kg., 22.0% less than January 2005. January's imports of high tier cheese totaled 960,685 Kg., 11.0% more than January 2005.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

		NEW YORK	
VARIETY	:	IMPORTED	DOMESTIC
Roquefort	:	TFEWR	-0-
Blue	:	2.6400-4.6300	1.6325-3.1225
Gorgonzola	:	3.6900-5.9400	2.1425-2.4900
Parmesan (Italy)	:	TFEWR	3.0475-3.1525
Romano (Italy)	:	2.1000-3.1900	-0-
Provolone (Italy)	:	3.4400-6.0900	1.6325-1.8700
Romano (Cows Milk)	:	-0-	2.8300-4.9725
Sardo Romano (Argentina)	:	2.8500-3.2900	-0-
Reggianito (Argentina)	:	2.6900-3.2900	-0-
Jarlsberg-(Brand)	:	3.1200-4.1500	-0-
Swiss Cuts Switzerland	:	-0-	2.4500-2.6500
Swiss Cuts Finnish	:	2.5900-2.8500	-0-
Swiss Cuts Austrian	:	TFEWR	-0-
Edam	:		
2 Pound	:	TFEWR	-0-
4 Pound	:	2.1900-3.5600	-0-
Gouda, Large	:	TFEWR	-0-
Gouda, Baby (\$/Dozen)	:		
10 Ounce	:	27.8000-31.7000	-0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	96	0	55	0	148
SOUTHEAST STATES	0	0	0	0	0	0

Regional Milk Market Administrators announced the following, January 2006 uniform prices: Northeast \$14.78, Mideast \$13.95, Appalachian \$15.52, Southeast \$15.14, Florida \$16.71, and Western New York (a state order) \$14.29 at the base city or county in the orders. A large snow storm struck much of the East Coast last weekend. The storm disrupted transportation and some farm pick-up schedules, closed some schools on Monday, and caused power outages in many areas. Bottlers were very active Thursday and Friday trying to keep up with the panic buying of milk and other staples at grocery stores in the storm's predicted path. The added milk to Class I channels helped temporarily ease the pressure on manufacturing plants in the region. However, early-week bottled milk sales were said to be slower, which is a typical pattern after bouts of storm-induced panic buying. Outside the storm's reaches, bottled milk sales are reported to be steady; even a little slower than expected. Milk production is increasing steadily in many Southeastern states. Florida experienced very cold temperatures early this week and contacts feel that the sharp drop did negatively impact the milk flow. However, handlers in Florida shipped increasing volumes of milk out of state for processing. In the Northeast, milk production was steady to slightly higher. Manufacturing plants continue to operate at capacities above anticipated levels. Some Southern contacts feel that they are already in the flush although that does not typically occur until March or April. Northeastern manufacturing plants got a breather as Class I needs increased late last week, but are now back to pre-storm levels. The condensed skim market is mixed, mostly steady. Some increased orders noted last week were actually cancelled during the weekend and this caused some logistical problems for suppliers. Prices for wet solids are unchanged. The fluid cream market is also mixed. Cream supplies tightened when Class I milk needs increased, but demand slowed as users, particularly those affected by the storm, had to reduce operations. Ice cream production is about steady, but more producers are starting to take advantage of the lower prices for butterfat and building some inventories. Spot prices for Class II cream are lower as the weekly butter average at the CME continues to move lower. Multiples are generally steady, but there is a lot of competition in the marketplace. Cream cheese output is steady to heavier, but reports indicate that one plant will soon be going off-line for about a week of scheduled maintenance. Churning activity is moderate to heavy and the churn that was down last week is now back on line.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.2874-1.4574
DELIVERED EQUIVALENT ATLANTA	-	1.3238-1.5181 M 1.3845-1.4695
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.2870-1.5181

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- 1.0200-1.0900
NORTHEAST- CLASS III - SPOT PRICES	- 1.0500-1.1200

M I D W E S T

Class I interest was steady to occasionally improved. A few bottlers were noting a little surge in orders around midweek. This is in anticipation of the large winter storm forecast that includes heavy snow as well as sleet and/or freezing rain. Otherwise, fluid demand is steady, though with the usual responses to retail promotions in selected markets. Cottage cheese, sour cream, and dip orders are flat. Milk supplies remain heavy though in slightly better balance than in recent weeks. Reported spot manufacturing milk prices range from around -\$0.75 to \$1.00 over class with most around flat class. Manufacturing schedules remain seasonally heavy. Cream supplies are heavy

but volumes offered to churns seem lighter. Ice cream production is picking up at least seasonally. Most ice cream makers are concentrating on products/flavors that sell consistently every year. Some buyers continue to price cream for the churn based on market, date of shipment, due to the continued weakness in the Chicago Mercantile Exchange cash butter price. Milk intakes continue to drift higher seasonally though fat and protein levels have declined since 2005. For much of the region, the weather so far has been relatively mild with snow covering limited through most of the upper tier of states. Industry representatives have been discussing how long it will take before producers notice the weak dairy markets in their milk checks, and then react to the lower prices. Others continue to debate whether or not support prices will be reached for butter and/or cheese.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	FEB 9 - 15	PREVIOUS YEAR
SLAUGHTER COWS	\$ 48.00- 59.00	\$ 52.50- 61.00
REPLACEMENT HEIFER CALVES	\$450.00-700.00	\$250.00-490.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	FEB 9 - 15	PREVIOUS YEAR
SLAUGHTER COWS	\$ 50.00- 58.00	\$ 50.00- 62.50

W E S T

The March 2006 Class 1 prices in CALIFORNIA range from \$13.19 in the north to \$13.46 in the south. The statewide average Class 1 price based on production is \$13.24. The average is \$1.28 lower than February 2006 and \$2.89 lower than March 2005. The Class 1 average price has not been this low since the summer of 2003. Milk output in CALIFORNIA is very strong. Some reports of 6-7% increases from a year ago are noted. More concern is being expressed about how all the milk is going to be handled this spring. Some cheese plants in the area are choosing to not take in milk for various periods of time each week to be able to get a handle on growing cheese inventories. This excess milk is being absorbed by other operations at this time. This will not be the case if this continues during the spring flush. The warm spell that has been common over much of the state is coming to an end with much cooler temperatures noted along with some scattered showers. This change is not expected to have any impact on the milk flow. ARIZONA milk production is strong with increases noted in the 4-5% range. The spring has been warm with temperatures in the 70-80's very common. The dry conditions persist and are not causing any problems for the dairy herds in the short run. Issues may crop up as summer approaches. Some reports are noted this week that a little less CREAM is available. This occurrence is not widespread and how long it will last is unknown at this time. The churn is still where most of the cream is ending up. Some scattered reports are being heard of some ice cream operations gearing up to take some additional volumes of cream. So far, this is very sporadic. The cash butter price at the CME dropped to \$1.17 at midweek, down another 5 cents from last week. More discussion is noted about whether some butter will be offered to the government price support program in the near future. Cream multiples noted this week range from 97 to 118, FOB and vary depending on class usage and basing point. Conditions are cool in the PACIFIC NORTHWEST, but generally dryer. Herds continue to experience some stress from past rainy/wet conditions. Culling rates are up a bit because of the added stress. Milk production is quite variable with reports both higher and lower. Some delays in the region are noted getting forage supplies to cattle in a timely fashion. The muddy conditions are causing problems with transportation. Conditions are getting a little better as some drying is occurring. Some hay is also quite moldy due to the inclement weather. Mold is common on both the top and bottom of the stacks. The damage is done now and dry weather will not reverse these defects. A storm front is moving through UTAH and IDAHO at midweek that will bring snow and colder temperatures. Little snow is on the ground in the dairy areas at this time. Feed lots are in reasonably good shape with not much mud. Foggy conditions have been minimal this winter. Herd health is generally good. Milk output is increasing seasonally at a slow rate. Plants are running efficiently. Hay prices in the region range from steady to firm. Carry over stocks are expected to be at minimal levels this spring. Heifer prices in the region remain firm. Top of the range prices are \$2150-2360, while most of the sales are between \$1860-2150.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are lower on a weak market. Production continues strong on low heat NDM in response to heavy milk intakes. Some plants are anticipating production to remain at these levels through the Memorial Day Holiday. Although heavier production was anticipated, stocks are accumulating at most locations. Western offers of low heat NDM are competitive with Central region prices. Trade is light, especially as buyers and traders wait for prices to settle before purchasing additional loads. High heat is produced on demand, predominantly for contractual interest.

EAST: Prices continue to move lower as producers try to stimulate some interest. The NASS average (the basis for most NDM sales) was virtually unchanged last week. The most recent California weighted average price was announced Tuesday and was sharply (eight cents) lower than last week. Most contacts anticipate decline in this week's NASS average and buyers are often delaying purchases. Production levels are a bit lighter this week as condensed skim sales improved at some locations and weekend volumes of surplus milk were lighter. Some plants were able to cut drying schedules to 5-6 days a week instead of seven. Producer stocks are growing.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUMHEAT: .8700 - .9925 MOSTLY: .8700 - .9400
HIGHHEAT: .9800 - 1.0500

NONFAT DRY MILK - WEST

The market undertone continues to be weak for Western low/medium heat NDM. Production is heavy and demand is steady to weak. Many contacts are calling the market very quiet. The California based pricing index fell almost 8 cents this week to \$.8339. Many contacts expect that the NASS series that comes out later this week will also indicate a decline. Stocks are building at more locations with some being forced to go to outside storage. At this time, no new interest is noted from cheese plants for powder or condensed. Exports of NDM/SMP for 2005 according to FAS total 610.6 million pounds, up 19.6% from 2004. The top five destinations for these exports and their change from last year are as follows: Mexico 234.9 million pounds, +18.2%; Indonesia 51.0 million pounds, +73.3%; Philippines 49.6 million pounds, -1.2%; Vietnam 36.4 million pounds, +118.1%; and Malaysia 31.1 million pounds, +23.3%. These top five countries total 403.0 million pounds, or 66.0% of the total exports. High heat prices range from steady to lower with a weak undertone. Buying activity is very slow. This is normally a slow time of the year, but it is even worse because buyers note the market direction and are content to wait.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUMHEAT: .8200 - .9450 MOSTLY: .8400 - .8900
HIGHHEAT: .9000 - 1.0000

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
February 10	\$.8339	9,637,264	0
February 3	\$.9123	13,263,029	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are lower on a weak market. Churning activity remains fairly strong throughout the region, encouraging the production of dry buttermilk. Demand is light. Some plants are examining the possibility of exporting multiple loads at significant discounts to alleviate stocks that are becoming burdensome. Offers of aged buttermilk are noted for the limited interest.

F.O.B. CENTRAL: .8200 - .8900

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices continue to ease lower and the market tone remains weak. The Northeastern prices are nominal. Few spot sales are being reported and stocks are accumulating at plants that are making dry buttermilk. Churning activity is back to more normal levels as the recently reported mechanical problems at one plant have been resolved. Cream volumes are not quite as heavy as past weeks and butter production was down accordingly. Demand remains lackluster.

F.O.B. NORTHEAST: .9025 - .9200
DELVD SOUTHEAST: .8700 - .9300

DRY BUTTERMILK - WEST

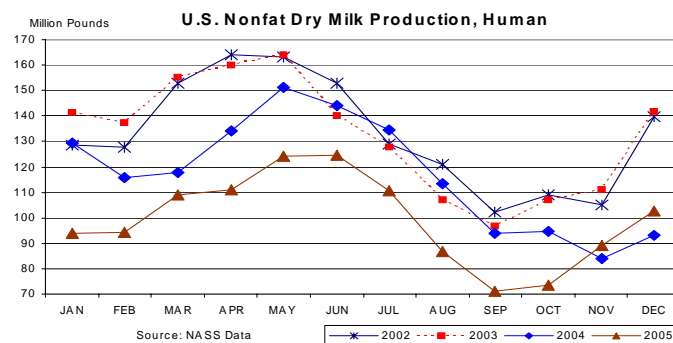
The Western buttermilk powder price range is lower while the mostly series held steady. Powder production is heavy as butter churning is very active. Condensed sales are slow with most buttermilk ending up in the dryer. Spot sales activity is limited with most of the clearances into ongoing contracts. Stocks are building at many locations. There continues to be a weak undertone to the market.

F.O.B. WEST: .7800 - .8400 MOSTLY: .8000 - .8200

DRY WHOLE MILK - NATIONAL

Prices are unchanged to lower and nominal. The market tone is steady. Production levels are light and generally geared to meeting existing orders. Demand is unchanged. Plant inventories are balanced.

F.O.B. PRODUCING PLANT: 1.3050 - 1.3200



WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY – CENTRAL

Prices are mostly unchanged to lower on a market that is steady at best. Offerings direct from the manufacturer are very light. However, some producers are becoming "nervous" at these price levels. As a result, some trades are noted at a discount to the average, no premiums or energy surcharges included. In general, producer plants report that supplies are in balance with limited spot availability. However, resale trade is reported at prices within and below the range. Production is steady with nominal trades of feed grade product. With whey at a higher per unit of protein price compared to WPC and NDM, buyers and traders are expecting a weaker whey market going into second quarter.

F.O.B. CENTRAL: .3350 - .3750 MOSTLY: .3425 - .3600
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3150 - .3425

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are unchanged to higher and the Northeastern prices remain nominal. The market tone is steady, but appears to be losing some momentum. Most producers continue to clear output satisfactorily, but overall demand is slowing as users resist the current, high prices. Production levels are unchanged at moderate levels as surplus milk volumes are holding at heavier than expected levels. Traders continue to comment that market activity and buyers' interest are slower. Stocks range from light at producers' plants to accumulating in traders' inventories. Contacts indicate that more product is available in the resale market. There was one report that a trader offered dry whey at the current market price, plus delivery, and lost the sale by a considerable margin.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3625 - .3750
DELVD SOUTHEAST: .3725 - .4100

DRY WHEY – WEST

Prices moved both higher and lower on the Western whey powder price range. The mostly series was steady to fractionally lower in price. Some manufacturers are in very good shape with sales clearing all current offerings. Other sellers are not able to keep all their production moving and are building some inventories. Production levels are above expectations. Demand from both exporters and domestic users is not as aggressive as was the case a few weeks ago. Exports of whey for 2005 according to FAS total 419.8 million pounds, up 18.0% from 2004. Exports total 40% of total U.S. dry whey production. The top five destinations for whey exports and their change from last year are as follows: China 106.1 million pounds, -2.0%; Japan 52.1 million pounds, +91.0%; Korea 48.2 million pounds, +126.4%; Canada 45.9 million pounds, -8.8%; and Thailand 34.0 million pounds, +61.6%. These five countries accounted for 286.3 million pounds which is 68.2% of the total.

NONHYGROSCOPIC: .3300 - .3700 MOSTLY: .3400 - .3600

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels remain relatively heavy as producers take advantage of the heavy volumes of surplus milk currently available in most parts of the country. Retail sales are seasonally slow. On February 10, the Kansas City Commodity office announced the Evaporated Milk Products Solicitation EVD2-006, inviting competitive offers to sell to CCC 734,400 pounds of evaporated milk for delivery April - June 2006. Offers are due by 9:00 a.m. CST, February 21, 2006.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.50 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices continue to move lower on a weak market. Extra grade supplies are readily available from U.S. and Canadian producers for the fair interest. Producers of Grade A and heat treated WPC are in the best position with supplies often short of demand. Similar to NDM, traders are opting to wait until the market settles before taking a position on WPC. Supplies of high protein WPC are available as a substitute to WPC 34% into some feed plants. Offerings of off grade New Zealand high protein WPC are also noted. During 2005, WPC 34% exports increased 22.05% whereas WPC 80% exports decreased 15.14% compared 2004. Export quantities and percentage changes for the dominant 34% WPC markets include: Mexico 26,112,772 lbs (+31.24%), China 13,881,233 lbs (+257.77%), Canada 9,146,380 lbs (+18.49%), Japan 6,548,084 lbs (-55.25%), and Brazil 4,415,053 lbs (+1197.41%). Export quantities and percentage changes for the dominant 80% WPC markets include: Canada 5,638,493 lbs (-0.54%), Mexico 4,609,005 lbs (+60.69%), Japan 1,506,654 lbs (-2.54%), and China 1,384,112 lbs (-50.51%).

F.O.B. EXTRA GRADE 34% PROTEIN: .7250 - .7850 MOSTLY: .7350 - .7550

LACTOSE - CENTRAL AND WEST

Prices are generally unchanged on a firm market. Spot trade is very light with some less than trucklot trade noted at a premium. Domestic and export users are having a difficult time in finding available supplies of lactose. However, most producers are adequately satisfying contractual commitments. During 2005, lactose exports increased 22.75% compared to 2004. Export quantities and percentage changes for the dominant markets include: Japan 55,491,210 lbs (+9.65%), Mexico 23,415,957 lbs (+19.43%), China 21,422,219 lbs (+39.48%), Vietnam 13,391,063 lbs (+57.42%) and Thailand 8,863,827 lbs (+295.06%). Exports accounted for 24.55% of production during 2005 compared to 19.98% in 2004. US lactose export destinations in 2005 not reported in 2004 include: Belgium-Luxembourg, Chile, Colombia, Denmark, Ireland, El Salvador, Finland, Guatemala, Croatia, Switzerland, Trinidad and Tobago, and Venezuela.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .2200 - .2800 MOSTLY: .2300 - .2550

CASEIN – NATIONAL

Casein markets remain basically steady at unchanged prices. Stocks are reported to be in balance with acid in the tightest position. Future availability continues to concern domestic buyers. Most suppliers indicate that they will fulfill their commitments to customers, but may need to be cautious about future negotiations and subsequent commitments. On February 9, the Commodity Credit Corporation (CCC) issued invitation #048 inviting competitive offers to buy from CCC approximately 1 million pounds of government owned nonfat dry milk for the manufacture of casein or caseinate. Bids are due Tuesday, February 21 with public notification of results on Thursday, February 23. Under invitation #047 a few weeks ago for a like amount, all bids were rejected due to price. Under invitation #046 in early January, 1 million pounds was sold at \$0.6500 per pound.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.1500 - 3.2700
ACID: 3.0800 - 3.2700

EVAPORATED MILK - NATIONAL - see adjacent column

CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	02/01	02/02	02/03	02/06	02/07	02/08	02/09	02/10	02/13	02/14
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
JAN 06	13.42 (2407) 2	13.40 (2403) 5	13.39 (2087) 0	13.39 (115) 0						
FEB 06	12.38 (2454) 110	12.32 (2363) 112	12.32 (2275) 126	12.30 (2243) 81	12.33 (2205) 66	12.32 (2195) 17	12.31 (2166) 34	12.26 (2183) 27	12.25 (2168) 36	12.24 (2173) 35
MAR 06	12.15 (2890) 251	12.01 (2894) 206	12.07 (2867) 97	11.98 (2794) 235	12.04 (2758) 137	11.90 (2739) 90	11.86 (2713) 107	11.69 (2721) 96	11.55 (2776) 198	11.55 (2709) 45
APR 06	12.22 (2628) 148	12.06 (2598) 204	12.12 (2600) 242	11.95 (2627) 111	12.00 (2600) 175	11.90 (2661) 180	11.85 (2675) 154	11.71 (2710) 168	11.58 (2811) 253	11.56 (2780) 139
MAY 06	12.37 (2395) 102	12.16 (2413) 104	12.20 (2457) 190	11.99 (2480) 90	12.02 (2488) 249	11.85 (2505) 150	11.93 (2488) 87	11.85 (2527) 170	11.72 (2646) 214	11.65 (2490) 133
JUN 06	12.43 (2341) 61	12.16 (2335) 106	12.20 (2376) 151	12.05 (2390) 99	12.10 (2410) 94	11.92 (2411) 93	11.80 (2484) 147	11.72 (2522) 160	11.64 (2585) 150	11.64 (2493) 67
JUL 06	12.70 (2104) 107	12.48 (2123) 82	12.52 (2171) 164	12.36 (2188) 80	12.37 (2269) 129	12.26 (2328) 141	12.19 (2354) 186	12.03 (2416) 268	11.94 (2504) 182	11.91 (2418) 173
AUG 06	12.90 (2103) 45	12.81 (2121) 65	12.85 (2184) 144	12.63 (2221) 118	12.60 (2328) 263	12.45 (2397) 129	12.45 (2403) 143	12.35 (2424) 231	12.30 (2522) 207	12.30 (2409) 137
SEP 06	13.07 (2149) 41	12.98 (2188) 109	13.01 (2294) 173	12.86 (2325) 135	12.83 (2368) 213	12.73 (2477) 219	12.65 (2533) 172	12.55 (2583) 155	12.46 (2614) 213	12.46 (2505) 84
OCT 06	12.87 (1920) 21	12.81 (1944) 60	12.83 (2021) 161	12.66 (2043) 84	12.64 (2199) 237	12.60 (2304) 160	12.55 (2349) 84	12.45 (2407) 134	12.40 (2430) 118	12.41 (2321) 93
NOV 06	12.79 (1738) 19	12.76 (1745) 42	12.78 (1832) 155	12.71 (1848) 91	12.69 (1904) 124	12.60 (1958) 106	12.56 (2007) 87	12.43 (2047) 120	12.33 (2098) 116	12.33 (1986) 43
DEC 06	12.63 (1751) 17	12.56 (1768) 32	12.57 (1844) 142	12.52 (1871) 83	12.45 (1931) 146	12.41 (1959) 86	12.37 (1961) 33	12.22 (2010) 100	12.20 (2086) 86	12.17 (1961) 37
JAN 07	12.22 (190) 2	12.20 (214) 27	12.23 (236) 79	12.16 (246) 48	12.16 (259) 26	12.16 (277) 55	12.00 (286) 18	11.87 (294) 16	11.80 (330) 48	11.70 (327) 10
FEB 07	12.04 (190) 2	12.05 (201) 11	12.05 (247) 79	12.01 (259) 47	11.97 (272) 27	11.97 (285) 19	11.91 (288) 7	11.80 (293) 15	11.70 (335) 42	11.70 (322) 23
MAR 07	12.20 (191) 3	12.20 (194) 8	12.23 (252) 79	12.15 (278) 50	12.15 (293) 16	12.15 (310) 39	12.00 (311) 6	11.81 (312) 12	11.70 (351) 46	11.70 (340) 11
APR 07	12.20 (125) 5	12.22 (131) 6	12.25 (153) 41	12.10 (146) 13	12.10 (152) 6	12.10 (154) 2	12.00 (158) 4	11.95 (164) 6	11.85 (205) 55	11.85 (209) 2
MAY 07	12.42 (120) 8	12.42 (118) 17	12.42 (140) 41	12.35 (125) 5	12.34 (126) 3	12.30 (128) 2	12.20 (132) 4	12.11 (140) 8	12.10 (183) 57	12.10 (183) 2
JUN 07	12.57 (130) 0	12.58 (139) 19	12.58 (161) 41	12.55 (150) 5	12.54 (151) 3	12.54 (153) 18	12.45 (155) 2	12.33 (159) 5	12.30 (186) 27	12.20 (189) 4
JUL 07	12.80 (47) 0	12.80 (85) 39	12.80 (106) 40	12.82 (108) 8	12.80 (133) 34	12.80 (136) 9	12.75 (141) 5	12.67 (143) 2	12.65 (151) 9	12.57 (149) 0
CME - (CLASS IV) MILK FUTURES -- Dollars per cwt.										
JAN 06	12.50 (2) 0	12.50 (2) 0	12.20 (2) 0							
FEB 06	12.35 (1) 0	12.25 (1) 0	12.15 (1) 0	12.15 (1) 0	12.15 (1) 0	12.15 (1) 0	12.15 (1) 0	12.15 (1) 0	12.15 (1) 0	12.15 (1) 0
MAR 06	12.22 (2) 0	12.20 (2) 0	12.10 (2) 0	12.10 (2) 0	12.10 (2) 0	12.10 (2) 0	11.99 (2) 0	11.99 (2) 0	11.54 (7) 5	11.49 (12) 5
CME - BUTTER FUTURES -- Cents per pound										
MAR 06	128.50 (179) 9	128.75 (179) 5	128.50 (169) 10	127.78 (162) 28	127.50 (165) 3	126.50 (165) 10	126.50 (162) 0	124.00 (161) 2	123.50 (161) 2	123.25 (159) 4
MAY 06	130.75 (188) 3	131.00 (195) 8	131.00 (195) 6	131.00 (210) 24	130.50 (209) 12	129.00 (216) 14	126.00 (215) 9	127.00 (216) 6	128.00 (215) 1	126.25 (218) 7
JUL 06	134.75 (181) 6	134.50 (193) 18	135.00 (196) 4	133.75 (210) 26	134.00 (218) 17	131.00 (221) 12	128.50 (227) 9	130.00 (238) 15	130.00 (238) 2	127.75 (247) 9
SEP 06	137.50 (121) 9	136.50 (122) 5	136.50 (122) 0	135.00 (140) 21	134.80 (151) 15	133.50 (162) 14	130.50 (168) 8	132.00 (177) 9	133.00 (180) 6	131.75 (179) 20
OCT 06	138.00 (53) 7	137.00 (53) 2	137.00 (56) 3	136.25 (79) 27	135.50 (81) 2	134.00 (89) 12	133.25 (93) 6	133.25 (111) 19	133.25 (111) 0	131.50 (115) 12
CME – CASH BUTTER FUTURES -- Cents per pound										
JAN 06	134.25 (155) 0	134.25 (155) 0	133.87 (155) 0							
FEB 06	127.50 (243) 6	127.50 (243) 5	126.25 (245) 7	125.75 (243) 8	125.60 (239) 25	124.75 (239) 49	123.00 (239) 17	123.00 (239) 0	122.75 (241) 4	122.25 (245) 14
MAR 06	129.75 (302) 9	128.75 (307) 6	128.50 (308) 1	128.25 (312) 6	125.25 (328) 19	124.50 (326) 12	124.00 (336) 12	122.00 (340) 19	122.25 (340) 2	122.00 (340) 7
APR 06	131.00 (237) 9	130.00 (242) 5	130.00 (243) 1	129.00 (254) 14	128.00 (265) 13	127.50 (266) 1	124.50 (286) 23	124.50 (296) 10	124.25 (296) 4	124.25 (301) 12
MAY 06	131.50 (245) 24	132.00 (246) 4	131.50 (258) 12	130.00 (266) 13	129.00 (280) 16	128.75 (291) 12	127.00 (306) 15	126.00 (306) 7	126.25 (308) 4	126.00 (322) 30

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered February 6 - 17, 2006

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

WESTERN OVERVIEW: Lower temperatures in many areas of Europe appear to be slowing milk production growth. Many milk producers indicate that their milk marketings have leveled off from recent gains. For some producers, this is not an adverse situation especially when they were potentially looking at over quota volumes by the end of March. With the slow down in milk receipts, manufacturing plants remain fairly active, although they are not putting pressure on suppliers or traders to move heavier than desired stocks. Sales activity out of Europe continues to be reported as quiet and slow. European traders state that stocks of competitively priced product and often better out of South America and other sources are further slowing sales activity. Traders are hopeful that as the milk production season winds down in the Southern Hemisphere, this will once again encourage international buyers to return to European sourced dairy products. Prices are generally steady with butter markets on the weak side. The opening of intervention nears. As March 1 approaches, reports indicate that butter volumes are being readied for clearance to intervention. Producers and handlers continue to feel that butter offerings will be heavy during the open season. Since February 1, skim milk powder can also be produced for intervention clearance, but reports indicate that this preparation is not as active as it has been in recent years. At this time, producers and handlers do not foresee significant volumes of power clearing to intervention. This could change quickly if international buyer interest does not develop. At the present time, internal or domestic demand for skim milk powder is clearing to animal feed buyers.

BUTTER/BUTTEROIL: European butter markets are steady to weak with prices unchanged to slightly lower. March 1 is nearing and butter stocks are being prepared for intervention offering. Many producers and handlers feel that butter offerings will be heavy during the upcoming intervention open season. Some feel that offerings may be so heavy that a tendering system might be needed to accept volumes above maximum thresholds. At this point, international sales are slow and trading activity continues to center around internal needs.

82% BUTTERFAT:	1,875 - 2,125
99% BUTTERFAT:	2,350 - 2,600

SKIM MILK POWDER (SMP): Skim milk powder markets are generally steady at unchanged prices. Powder production is building seasonally, although lighter milk receipts at plants have slowed output. Minimal volumes, if any, are being prepared for intervention offering March 1. Many producers and handlers feel that offerings to the program during the open season will be light this year. International buyer interest is slow with market activity centered around an internal milk replacer market.

1.25% BUTTERFAT:	2,100 - 2,250
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WHOLE MILK POWDER (WMP): Whole milk powder markets are steady. Prices are unchanged. Sales activity is slow and unaggressive. Many traders continue to anticipate a whole milk powder tender soon, which they hope will reignite additional buyer interest. At this point, some small lot sales are being reported, but nothing of any significance. European stocks are slowly increasing, thus renewed demand could potentially be covered with inventories and future production.

26% BUTTERFAT:	2,100 - 2,300
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SWEET WHEY POWDER: Whey powder markets and prices remain firm. Milk protein demand remains strong both internally and internationally. Cheese production is increasing seasonally, thus are whey volumes. Even with firm prices, European whey stocks are in great demand, especially internally. In most instances, whey volumes are limited and usually demand is surpassing supply.

NONHYGROSCOPIC:	800 - 900
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EASTERN OVERVIEW: Cold temperatures continue to be reported in Eastern Europe. This cold trend appears to be slowing milk production to the point that some Eastern European producers are finding this situation somewhat beneficial as the March 31 milk quota yearend nears. Some traders state that sales activity out of Eastern Europe is more active than their Western counterparts. Much of this has to do with lower priced offerings. Stocks of product are available and will continue to increase as milk production develops for the season.

OCEANIA

OCEANIA OVERVIEW: Milk production in Oceania continues to decline. In New Zealand, milk production is trending ahead of last year at this time, although still trailing last year on a cumulative basis. Milk producers and handlers remain optimistic that cumulative production figures will come in at better than previously projected levels. In Australia, recent high temperatures may have caused milk production declines to accelerate. Although official December figures have not yet been released, some milk handlers feel that output during that month will be much like November, down slightly. On a cumulative basis, many Australian producers and handlers feel that recent trends and the high temperatures in January will have a negative impact on milk volumes which could reduce the annual output projection, which was 1% above the 2004 - 2005 fiscal year. Milk volumes appear to be sufficient to maintain active manufacturing schedules, although plant managers do indicate that milk volumes are trending lower. Stocks of manufactured dairy products are sufficient to maintain shipping schedules. Traders and handlers state that volumes are in balance for known needs, but remain hesitant to acknowledge surplus volumes for spot or additional buyer interest. As has been the case all year, current stocks are fully committed to regular customer needs. International buyer interest is slow. Oceania traders and handlers state that even if buyer interest was active, they would not be in the market due to limited uncommitted stocks. Most feel that they will have sufficient volumes to fulfill their commitments and may be able offer some uncommitted stocks closer to the end of the current production season.

BUTTER: Oceania butter markets are steady to weak with prices generally lower. Stocks of butter are readily available for regular and ongoing customer needs. Butter/powder production is seasonally active, although when possible, milk is clearing to whole milk powder production. Butter stocks are reported to be in balance with current needs.

82% BUTTERFAT:	1,825 - 2,000
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CHEDDAR CHEESE: Cheese production is seasonally active. Producers and handlers state that milk volumes are sufficient to maintain steady production schedules, although milk volumes are trending lower. The market tone is steady at unchanged prices. Traders and handlers indicate that stocks are in balance for commitments. Current sales activity continues to center around regular and ongoing customer needs.

39% MAXIMUM MOISTURE:	2,600 - 2,900
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SKIM MILK POWDER (SMP): Skim milk powder markets in Australia and New Zealand are steady to firm with prices unchanged to slightly higher. Powder production is seasonally active although trending lower as milk volumes decline. Stocks of powder are in balance at the current time, although if milk volumes decline at a faster rate than in recent weeks, powder volumes could tighten rapidly. Aware of potential shortages, some traders and handlers indicate that they would need to reach to outside sources for additional volumes of powder to satisfy their commitments.

1.25% BUTTERFAT:	2,100 - 2,300
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WHOLE MILK POWDER (WMP): Oceania whole milk powder markets are steady to firm with prices unchanged to slightly higher. Powder production is seasonally strong as milk volumes are being directed toward whole milk powder when possible. Stocks are reported to be in balance with needs. For the most part, traders and handlers indicate that shipments are on schedule with commitments.

26% BUTTERFAT:	2,100 - 2,300
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Exchange rates for selected foreign currencies: February 13, 2006

.8653 Canadian Dollar	.0226 Indian Rupee
.3259 Argentina Peso	.6768 New Zealand Dollar
.0948 Mexican Peso	.7373 Australian Dollar
.3130 Polish Zloty	.0085 Japanese Yen
	1.1906 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0948)= 10.5485 Mexican Pesos. Source: "Wall Street Journal"

FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES*

Forecast milk supply in 2006 is raised slightly as the January 1 *Cattle* report confirmed increased availability of replacement heifers and more cows are expected to enter the herd. However, most product prices are forecast lower than last month as current prices are below expectations. Increased supplies of dairy products will likely result in lower prices. Although whey prices are expected to be stronger, lower forecast cheese prices will result in a reduced Class III price. Both butter and nonfat dry milk prices are forecast lower than last month, and the Class IV price forecast is lowered to reflect this. The all milk price for 2006 forecast is lowered to \$13.10-\$13.80 per cwt.

U.S. MILK SUPPLY AND USE					
Commodity	2004	2005 Estimated		2006 Projected	
		January	February	January	February
MILK		BILLION POUNDS			
PRODUCTION	170.8	176.6	176.5	181.3	181.4
FARM USE	1.1	1.1	1.1	1.1	1.1
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	8.3	7.2	7.2	7.6	7.7
MARKETINGS	169.7	175.5	175.4	180.2	180.4
IMPORTS	5.3	4.7	4.6	4.8	4.7
TOTAL COMMERCIAL SUPPLY	183.3	187.3	187.2	192.6	192.8
FAT BASIS USE					
ENDING COMMERCIAL STOCKS	7.2	7.6	7.7	7.5	7.5
CCC NET REMOVALS <u>1/</u>	-0.1	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	176.2	179.8	179.5	185.1	185.3
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	8.5	8.2	8.2	8.5	8.7
MARKETINGS	169.7	175.5	175.4	180.2	180.4
IMPORTS	4.8	4.6	4.5	4.7	4.6
TOTAL COMMERCIAL SUPPLY	183.0	188.3	188.1	193.5	193.6
SKIM-SOLIDS BASIS USE					
ENDING COMMERCIAL STOCKS	8.2	8.5	8.7	8.3	8.3
CCC NET REMOVALS <u>1/</u>	1.3	-1.0	-1.0	0.6	0.9
COMMERCIAL USE <u>2/</u>	173.5	180.8	180.4	184.5	184.5
CCC PRODUCT NET REMOVALS <u>1/</u>		MILLION POUNDS			
BUTTER	-7	0	0	0	0
CHEESE	6	-2	-2	0	0
NONFAT DRY MILK	105	-80	-80	55	75
DRY WHOLE MILK	0	0	0	0	0

NOTE: Totals may not add due to rounding. 1/ Includes products exported under the Dairy Export Incentive Program. 2/ Includes commercial exports.

Continued on page 10

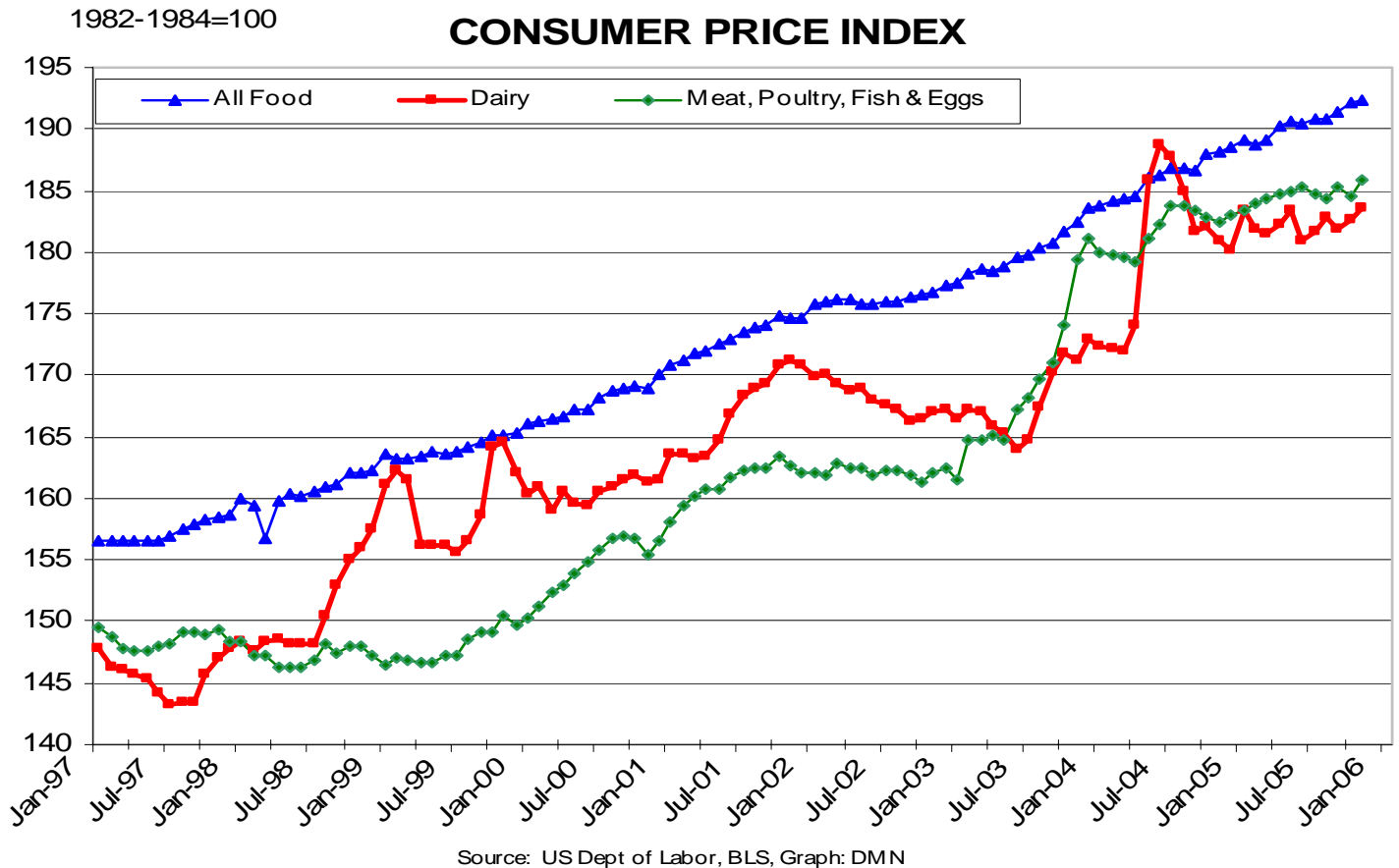
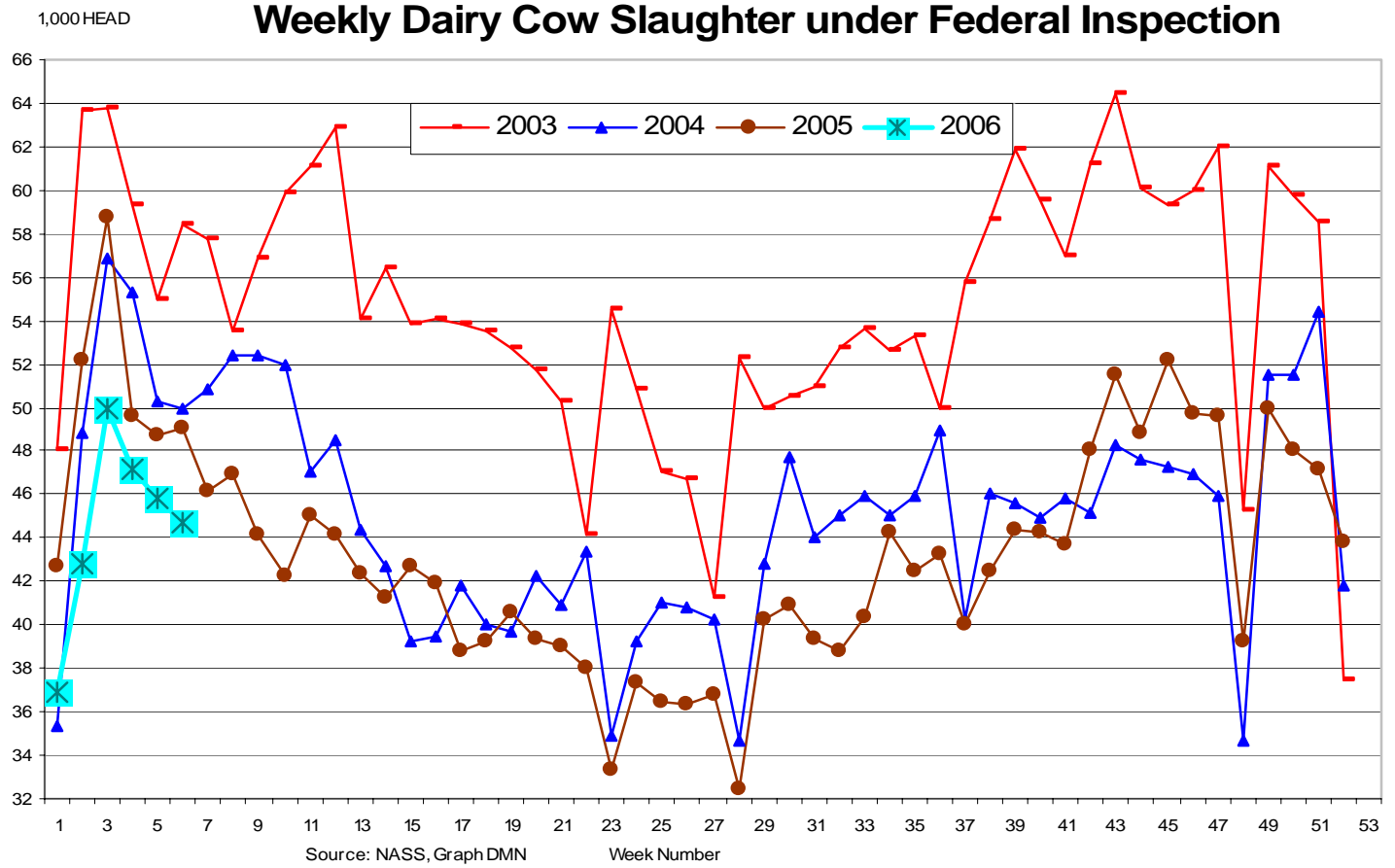
FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2004	2005 Estimated		2006 Projected	
		January	February	January	February
PRODUCT PRICES <u>1/</u> CHEESE BUTTER NONFAT DRY MILK DRY WHEY MILK PRICES <u>2/</u> CLASS III CLASS IV ALL MILK <u>3/</u>	DOLLARS PER POUND				
	1.6431	1.4875	1.4875	1.295-1.375	1.270-1.340
	1.8239	1.5405	1.5405	1.295-1.405	1.260-1.360
	0.8405	0.9409	0.9409	0.890-0.950	0.875-0.935
	0.2319	0.2782	0.2782	0.260-0.290	0.270-0.300
	DOLLARS PER CWT				
	15.39	14.05	14.05	12.05-12.85	11.85-12.55
	13.20	12.87	12.87	11.45-12.35	11.20-12.00
	16.05	15.14	15.15	13.40-14.20	13.10-13.80
	QUARTERLY				
2005 IV	2006 I <u>4/</u>	2006 II <u>4/</u>	2006 III <u>4/</u>	2006 IV <u>4/</u>	
MILK PRODUCTION	BILLION POUNDS				
	43.6	45.0	46.7	44.8	44.9
	DOLLARS PER CWT.				
	15.13	13.90-14.20	12.70-13.30	12.60-13.50	13.20-14.20
	13.69	12.45-12.75	11.70-12.30	11.65-12.55	11.70-12.70
CLASS IV PRICE <u>2/</u>	13.03	11.55-11.95	11.35-12.05	11.00-12.00	10.80-11.90

1/ Simple average of monthly prices calculated by AMS from NASS weekly average dairy product prices for class price computations. Details may be found at http://www.ams.usda.gov/dyfmomib/fedordprc_dscrp.htm. 2/ Annual and quarterly Class III and Class IV prices are the simple average of monthly minimum Federal order milk prices paid by regulated plants for milk used in the respective classes. All milk price is the simple average of monthly prices received by farmers for milk at average test. 3/ Does not reflect any deductions from producers as authorized by legislation. 4/ Projection.

* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; John Mengel, AMS; Paul Kiendl, FAS; James Miller, ERS; and Milton Madison, FSA.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-431, World Agricultural Outlook Board, USDA, February 9, 2006.



CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF FEBRUARY 13 - 17, 2006			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/05	SAME PERIOD LAST YEAR	WEEK ENDING 02/10/06	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	-0-	31,817,269	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	31,817,269	-0-	-0-

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF FEBRUARY 13 - 17, 2006 =	0.0	0.0	COMPARABLE PERIOD IN 2005 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 2005 =	0.0	0.0	CUMULATIVE SAME PERIOD LAST YEAR =	7.0	370.4
CUMULATIVE JAN. 1 - FEB. 17, 2006 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2005 =	0.0	0.0

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/05 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
CENTRAL	-0-	-0-	-0-	-0-	-0-	1,331,567	-0-	4.2
WEST	-0-	-0-	-0-	-0-	-0-	29,415,099	-0-	92.4
EAST	-0-	-0-	-0-	-0-	-0-	1,070,603	-0-	3.4
TOTAL	-0-	-0-	-0-	-0-	-0-	31,817,269	-0-	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 01/28/06 & Comparable Week 2005

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL WEEK SINCE JAN 1	% DAIRY OF ALL WEEK SINCE JAN 1		
2006-Dairy	N.A.	0.6	6.5	2.7	14.3	2.7	0.3	N.A.	15.9	1.7	45.8	222.7	46.4	45.6
2005-Dairy	N.A.	0.7	5.9	2.6	15.8	3.4	1.0	N.A.	15.5	2.9	48.7	252.0	46.0	49.4
2006-All cows	N.A.	0.6	8.1	9.9	29.4	15.2	12.5	N.A.	17.7	2.2	98.7	488.0		
2005-All cows	N.A.	0.7	7.2	11.4	33.6	13.5	13.1	N.A.	16.8	5.6	105.8	509.9		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA. 1/ States included in regions are as follows: Region 1--ME, NH, VT, CT, MA, and RI; Region 2--NY and NJ; Region 3--DE, PA, WV, VA, and MD; Region 4--KY, TN, NC, SC, GA, AL, MS, and FL; Region 5--MI, OH, IN, IL, WI, and MN; Region 6--TX, OK, NM, AR, and LA; Region 7--IA, NB, KS, and MO; Region 8--MT, WY, CO, UT, ND, and SD; Region 9--CA, NV, AZ, and HA; Region 10--ID, OR, and WA. 2/ Totals may not add due to rounding.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14
2005	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60	14.30	14.35	13.35	13.37

FEDERAL MILK ORDER CLASS PRICES FOR 2006 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	13.38	13.38	12.49									
II	13.25											
III	13.39											
IV	12.20											

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoss/mib/cls_prod_cmp_pr.htm